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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the matter of

Amendments to Uniform System of
Accounts for Interconnection

CC Docket No. 97-212

REPLY COMMENTS OF AMERITECH

In its opening Comments in response to the Notice of Proposed Rulemaking,¹ Ameritech² showed that, just as the Commission had concluded in the Notice that no new Part 32 accounts would be needed with respect to infrastructure sharing, it should also have concluded that no new accounts would be needed for competitive interconnection. The existing Part 32 account structure is both appropriate and sufficient for that purpose, and the objective of carrier-to-carrier uniformity can be met even without new Part 32 accounts if the Commission provides guidance to carriers as to what existing account(s) should be used. Ameritech also showed that the Commission's proposal to

¹ Release Number FCC 97-355, released October 7, 1997 [hereinafter "NPRM" or "Notice"].

² The Ameritech affiliates subject to Part 32 are Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc., collectively hereinafter referred to as "Ameritech."

conduct cost studies using the Part 32 historical cost information is utterly unnecessary, costly, and without any practical use.

The Comments of other parties were predictably split into two camps: Incumbent Local Exchange Carriers (ILECs) largely adopted positions similar to Ameritech's, while Competitive Local Exchange Carriers (CLECs) and a few others supported the addition of a new burdensome superabundance of detailed accounting, costing, and reporting requirements to be imposed upon the ILECs under the guise of a regulatory mandate.

In these Reply Comments, Ameritech urges the Commission to continue to move towards removing unnecessary detail and reporting requirements from all carriers and not to continue to impose requirements on a single group. The existing Part 32 account structure can accommodate the Commission's uniformity objective, and the proposed requirement for Part 32 cost studies is at odds with the pricing requirements for interconnection. No commenter has provided information sufficient to support the NPRM's proposals, and accordingly they should not be adopted.

I. The Stated Goals of This Proceeding Provide No Justification for the Proposals

The Commission specified four goals in the NPRM (at ¶ 6):
(1) uniform ILEC reporting (2) the Commission monitoring of competition and the deployment of advanced telecommunications

(3) deterring cross-subsidy between regulated and competitive activities, and (4) assisting the Commission in its evaluation of forbearance petitions by making information accessible and verifiable. Yet the proposals made in the NPRM are flawed, principally because there is nothing to explain why the existing Part 32 account structure is insufficient or how the new accounts will achieve the realization of the stated goals.

Ameritech's Comments pointed out (p. 8) how the Commission could clearly achieve uniformity and accomplish any associated monitoring by providing guidance on the use of existing Part 32 accounts. Among other commenters touching on this point, the United States Telephone Association ("USTA") supports the use of Account 5240, Rent Revenue, and Account 6540, Access Expense, for interconnection and unbundled network elements. Transportation and termination should be recorded in one subsidiary record category within these accounts, and the costs associated with the purchase of resold services should be recorded in Account 6540. (USTA comments at pp. 8-9; *see also* Bell Atlantic at p. 6, Bellsouth at p. 3, Cincinnati at p. 3, SBC Corporation at p. 4, GTE at p. 4.)

Other commenters fail to demonstrate the inadequacy of using the existing Part 32 accounts, that the proposals are needed to track competition, prevent cross-subsidy, or assist in the evaluation of forbearance petitions. Cox Communications (at p. 3) states that the existing

USOA is deficient and new accounts are needed to "police" ILEC charges. Similarly, MCI maintains the new accounts are necessary for uniformity, without which the comparisons and tracking of ILEC performance and investments would be difficult (MCI at p. 2; *see also* General Communications at p. 2). GSA supports the NPRM's proposals, but in a circular manner merely states the goals of the NPRM as support for the proposals of the NPRM (GSA at p. 6). While NECA supports establishing the new accounts, NECA is silent as to why new accounts are necessary and more importantly, why the existing Part 32 account structure is insufficient.

Comments of several ILECs observed that establishing the new accounts would be contrary to the fundamentally functional nature of the USOA. (Cincinnati at p. 2, BellSouth at pp. 6-11, SBC at 2-4, Bell Atlantic at pp. 4-6, GTE at p. 3, USTA at p. 2). The Commission nor the commenters supporting the NPRM's proposals justify the departure from Part 32 or explain how establishing the new accounts will better achieve uniformity or the assessment of competition. These goals can be achieved by using the existing Part 32 account structure. Regarding the NPRM's goals of ensuring no cross-subsidy and the evaluation of forbearance petitions, neither goal is advanced by the Commission's proposals, and they appear out of place in this NPRM (Ameritech at pp. 4-5, SBC at p. 18, BellSouth at p. 12).

II. Cost Studies for Interconnection Using Part 32 Are Unnecessary and Inappropriate

No commenter has shown a need to conduct Part-32-like cost studies for interconnection. Indeed, no commenter can demonstrate such a need because the interconnection rates are based on negotiated agreements using forward-looking cost studies. A requirement of this type would be violative of the Eighth Circuit's decision in the Iowa Utilities opinion. (See Ameritech at p. 9, Bell Atlantic at pp. 2-4, United Utilities at p. 1.)

Cox alludes to the need to monitor and analyze ILEC interconnection agreements (Cox at p. 7). Others maintain that the fully distributed costs of interconnection must be recorded in the separate accounts and not, as proposed in the NPRM, on the basis of revenues, since costs associated with a particular element would otherwise be recorded in other accounts resulting in a double recovery of the costs of the element. The TELRIC less embedded costs must be removed from the ratebase (General Communications at p. 4, MCI at p. 3). These commenters miss the mark. With respect to the need to monitor and analyze the interconnection agreements, these agreements are negotiated and subject to state review pursuant to the Telecommunications Act's requirements and the Eighth Circuit's decision. Given the number of agreements, requiring separate fully distributed cost studies using the regulated books of account would be a wastefully expensive undertaking fulfilling no regulatory need (Ameritech

Comments at p. 9; *see also* Bell Atlantic at p. 3). Apart from whether the rates for interconnection fully recover the TELRIC costs upon which the rates are based, the concern over a double recovery is a phantom because there are no residual costs that impact interstate rates.

III. Conclusion

As Ameritech originally showed in its earlier Comments, the new accounts and subsidiary recordkeeping requirements proposed in the NPRM should not be adopted. Rather, the current Uniform System of Accounts in Part 32 of the Rules is sufficient. Carriers should be allowed to use whatever mechanism best fits their systems. The proposal for cost studies based on the regulated books of account should not be adopted. The Commission should be moving toward deregulation, and not hampering selected players in the competitive telecommunications market with unnecessary, costly, and useless data collection and reporting rules.

Respectfully submitted,



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January 26, 1998

CERTIFICATE OF SERVICE

I, Edith Smith, do hereby certify that a copy of Ameritech's Reply Comments has been served on the parties on the attached service list, via first class mail, postage prepaid, on this 26th day of January, 1998.

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